

CLARK TOWNSHIP
CEDARVILLE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

AUDITING PROCEDURES REPORT

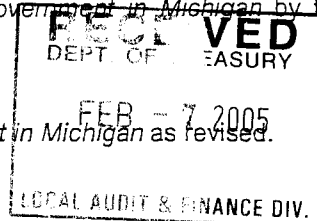
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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Clark Township	County Mackinac
Audit Date June 30, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted to State: February 2, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

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INTRODUCTORY SECTION

CLARK TOWNSHIP
LIST OF ELECTED OFFICIALS
JUNE 30, 2004
=====

ELECTED OFFICIALS

Robert Smith	Supervisor
Marion E. Farero	Clerk
Charles A. Nye	Treasurer
Al Hansen	Trustee
Linda Hudson	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Clark Township
Cedarville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clark Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Clark Township
Independent Auditors' Report
Page Two

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clark Township, Cedarville, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of Clark Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 8, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

Bary E. Handberg, CPA, PC

November 12, 2004

BASIC FINANCIAL STATEMENTS

Clark Township
Statement of Net Assets
June 30, 2004

	Governmental	Business -Type	Total
	<u>Activities</u>	<u>Activities</u>	<u></u>
ASSETS			
Cash and cash equivalents	\$ 866,489	\$ 47,032	\$ 913,521
Receivables	1,662,774		1,662,774
Restricted cash	31,500	5,000	36,500
Due from other funds	20,528		20,528
Capital assets (net of accumulated depreciation):			
Land and improvements	73,115	12,794	85,909
Buildings and improvements	444,181		444,181
Machinery and equipment		80,174	80,174
Dockage, beach improvements	78,645		78,645
Streetscape improvements	4,859		4,859
Sewer system		1,269,230	1,269,230
Amount to be provided for debt retirement		<u>3,243,000</u>	<u>3,243,000</u>
Total assets	<u>3,182,091</u>	<u>4,657,230</u>	<u>7,839,321</u>
LIABILITIES			
Bank overdraft	4,855		4,855
Accounts payable and other current liabilities	13,488		13,488
Due to other funds	15,618		15,618
Accrued expenses		3,223	3,223
Unearned revenue	1,662,774		1,662,774
Noncurrent liabilities:			
Due within one year	12,500	60,000	72,500
Due in more than one year	<u>292,000</u>	<u>3,183,000</u>	<u>3,475,000</u>
Total liabilities	<u>2,001,235</u>	<u>3,246,223</u>	<u>5,247,458</u>
NET ASSETS			
Invested in capital assets, net of related debt		1,208,189	1,208,189
Restricted for:			
Debt service	52,794		52,794
Repairs & maintenance		5,000	5,000
Unrestricted	<u>1,128,062</u>	<u>197,818</u>	<u>1,325,880</u>
Total net assets	<u>\$1,180,856</u>	<u>\$1,411,007</u>	<u>\$ 2,591,863</u>

See notes to financial statements.

Clark Township
Statement of Activities
For the Year Ended June 30, 2004

Functions /Programs	Program Revenues			
	Charges for Expenses	Operating Grants and Services	Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative General	\$ 48,813	\$	\$	\$
Government	398,777	22,121	14,192	
Public safety	99,460	70,572		10,830
Public works	100,088	9,487		6,224
Interest on long-term debt	<u>179,800</u>			
Total governmental activities	826,938	102,180	14,192	17,054
Business-type activities:				
Sewer	<u>279,845</u>	<u>192,633</u>		
Total	<u>\$1,106,783</u>	<u>\$294,813</u>	<u>\$ 14,192</u>	<u>\$ 17,054</u>

General revenues:
Property taxes
State aid
Interest earnings
Rentals
Gain of sale of fixed assets
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets

Prior period adjustment

Net assets - beginning

Net assets - ending

See notes to financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (48,813)	\$	\$ (48,813)
(362,464)		(362,464)
(18,058)		(18,058)
(84,377)		(84,377)
<u>(179,800)</u>	<u> </u>	<u>(179,800)</u>
(693,512)		(693,512)
<u> </u>	<u>(87,212)</u>	<u>(87,212)</u>
<u>(693,512)</u>	<u>(87,212)</u>	<u>(780,724)</u>
585,531		585,531
164,251		164,251
112,602	1,060	113,662
3,945		3,945
	15,000	15,000
55,388	11,156	66,544
<u>6,752</u>	<u>54,674</u>	<u>61,426</u>
<u>928,469</u>	<u>81,890</u>	<u>1,010,359</u>
234,957	(5,322)	229,635
(56,630)		(56,630)
<u>1,002,529</u>	<u>1,416,329</u>	<u>2,418,858</u>
<u>\$1,180,856</u>	<u>\$1,411,007</u>	<u>\$ 2,591,863</u>

Clark Township
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 74,928	\$ 21,294	\$ 770,267	\$ 866,489
Receivables			1,662,774	1,662,774
Restricted cash		31,500		31,500
Due from other funds			20,528	20,528
Total assets	<u>\$ 74,928</u>	<u>\$ 52,794</u>	<u>\$ 2,453,569</u>	<u>\$ 2,581,291</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Bank overdraft	\$	\$	\$ 4,855	\$ 4,855
Accrued liabilities	13,488			13,488
Due to other funds	15,618			15,618
Unearned revenue			1,662,774	1,662,774
Total liabilities	<u>29,106</u>		<u>1,667,629</u>	<u>1,696,735</u>
Fund balances:				
Reserved for:				
Debt service		52,794		52,794
Unreserved,				
reported in:				
General fund	45,822			45,822
Special				
revenue funds			546,340	546,340
Capital projects				
fund			239,600	239,600
Total fund balances	<u>45,822</u>	<u>52,794</u>	<u>785,940</u>	<u>884,556</u>
Total Liabilities and Fund Balances	<u>\$ 74,928</u>	<u>\$ 52,794</u>	<u>\$ 2,453,569</u>	<u>\$ 2,581,291</u>

See notes to financial statements.

Clark Township
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
June 30, 2004

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 884,556
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	672,408
Accumulated depreciation	(71,608)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(304,500)</u>
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Total Net Assets - Governmental Activities	<u>\$ 1,180,856</u>
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See notes to financial statements.

Clark Township
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 260,879	\$ 75,287	\$ 249,365	\$ 585,531
Licenses & permits	26,531			26,531
State aid	164,251			164,251
Charges for services	95,508		11,387	106,895
Interest earnings	3,427	1,536	107,639	112,602
Rents	3,945			3,945
Miscellaneous	26,086	10,212	19,090	55,388
Total revenues	<u>580,627</u>	<u>87,035</u>	<u>387,481</u>	<u>1,055,143</u>
EXPENDITURES				
Current:				
Legislative	48,813			48,813
General government	381,613			381,613
Public safety	97,220		2,240	99,460
Public works	69,067		30,766	99,833
Other				
Debt service:				
Principal	12,500	77,500	31,000	121,000
Interest	13,991	120,324	45,485	179,800
Capital outlay:				
Buildings	8,641			8,641
Docks	10,127			10,127
Recreation			500	500
Streetscape			5,114	5,114
Total expenditures	<u>641,972</u>	<u>197,824</u>	<u>115,105</u>	<u>954,901</u>
Excess (deficiency) of revenues over (under) expenditures				
	(61,345)	(110,789)	272,376	100,242
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>44,136</u>	<u>90,570</u>	<u>(127,954)</u>	<u>6,752</u>
Net changes in fund balances	(17,209)	(20,219)	144,422	106,994
Prior period adjust.	(56,630)			(56,630)
Fund balances-beg.	<u>119,661</u>	<u>73,013</u>	<u>641,518</u>	<u>834,192</u>
Fund balances-end.	<u>\$ 45,822</u>	<u>\$ 52,794</u>	<u>\$ 785,940</u>	<u>\$ 884,556</u>

See notes to financial statements.

Clark Township
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 106,994

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,963
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>121,000</u>
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Change in net assets of governmental activities	<u>\$ 234,957</u>
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See notes to financial statements.

Clark Township
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes and related fees	\$255,400	\$ 261,470	\$260,879	\$ (591)
Licenses & permits	21,400	27,002	26,531	(471)
State aid	175,900	175,949	164,251	(11,698)
Charges for services	92,000	96,816	95,508	(1,308)
Sale of assets	11,000	11,000	1,425	(9,575)
Interest earnings	10,000	10,000	3,427	(6,573)
Rents	4,000	4,000	3,945	(55)
Contributions & donations	25,000	28,554	23,554	(5,000)
Miscellaneous	<u>7,027</u>	<u>7,027</u>	<u>1,107</u>	<u>(5,920)</u>
Total revenues	<u>601,727</u>	<u>621,818</u>	<u>580,627</u>	<u>(41,191)</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>62,650</u>	<u>55,092</u>	<u>48,813</u>	<u>6,279</u>
General government:				
Supervisor	29,300	31,410	30,553	857
Elections	300	725	625	100
Assessor	58,800	60,499	60,324	175
Clerk	42,700	45,479	43,015	2,464
Board of review	955	1,620	1,620	
Treasurer	35,550	37,939	36,445	1,494
Taxes	14,900	14,900	14,758	142
PC	3,500	40,775	40,775	
Twp. hall & grounds	56,370	62,961	49,936	13,025
Hessel hall	2,900	2,564	2,374	190
Community center	15,000	24,334	24,043	291
Docks	25,940	40,960	44,407	(3,447)
Airport	1,525	3,113	3,113	
Hessel beach	1,710	1,710	843	867
Cemeteries	15,150	15,971	16,297	(326)
Other-unclassified	<u>48,300</u>	<u>42,940</u>	<u>31,253</u>	<u>11,687</u>
Total general government	<u>352,900</u>	<u>427,900</u>	<u>400,381</u>	<u>27,519</u>

Clark Township
Statement of Revenues, Expenditures and Changes in Fund Balance
-Budget and Actual
For the Year Ended June 30, 2004
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Current:				
Public safety:				
Fire department	22,250	23,448	18,960	4,488
Addressing	1,000	1,703	1,653	50
Building department	9,500	12,098	12,098	
Electrical inspector	9,300	9,959	10,260	(301)
Zoning boards	23,842	17,725	13,816	3,909
Ambulance	<u>40,600</u>	<u>41,727</u>	<u>40,433</u>	<u>1,294</u>
Total public safety	<u>106,492</u>	<u>106,660</u>	<u>97,220</u>	<u>9,440</u>
Public works:				
Roads	5,527	53,691	41,013	12,678
Public utilities	18,000	18,136	18,136	
Solid waste	<u>13,000</u>	<u>14,957</u>	<u>9,918</u>	<u>5,039</u>
Total public works	<u>36,527</u>	<u>86,784</u>	<u>69,067</u>	<u>17,717</u>
Debt service	<u>41,000</u>	<u>41,000</u>	<u>26,491</u>	<u>14,509</u>
Total expenditures	<u>599,569</u>	<u>717,436</u>	<u>641,972</u>	<u>75,464</u>
Excess of revenues over expenditures	<u>2,158</u>	<u>(95,618)</u>	<u>(61,345)</u>	<u>34,273</u>
OTHER FINANCING SOURCES (USES)				
Transfer in		36,174	52,764	16,590
Transfer out			<u>(8,628)</u>	<u>(8,628)</u>
Total other other financing sources and uses		<u>36,174</u>	<u>44,136</u>	<u>7,962</u>
Net change in fund balances	2,158	(59,444)	(17,209)	42,235

Clark Township
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual
For the Year Ended June 30, 2004
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Prior period adjustment			(56,630)	(56,630)
Fund balances- beginning			<u>119,661</u>	<u>119,661</u>
Fund balances-ending	<u>\$ 2,158</u>	<u>\$ (59,444)</u>	<u>\$ 45,822</u>	<u>\$ 105,266</u>

See notes to financial statements.

Clark Township
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities -Enterprise Funds	
	Sewer Operating and Maintenance Fund	
	<u>6/30/04</u>	<u>6/30/03</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,032	\$ 85,797
Receivables		<u>6,696</u>
Total current assets	<u>47,032</u>	<u>92,493</u>
Noncurrent assets:		
Restricted cash, cash equivalents:		
Repairs and maintenance	<u>5,000</u>	<u>5,000</u>
Capital assets:		
Land	12,794	12,794
Buildings	29,217	29,217
Machinery and equipment	183,026	155,672
Office equipment	6,451	6,451
Sewer system	1,856,911	1,805,946
Less accumulated depreciation	<u>(726,201)</u>	<u>(688,988)</u>
Total capital assets (net of accumulated depreciation)	<u>1,362,198</u>	<u>1,321,092</u>
Total noncurrent assets	<u>1,367,198</u>	<u>1,326,092</u>
Total assets	<u>1,414,230</u>	<u>1,418,585</u>
LIABILITIES		
Current liabilities:		
Accrued payroll and withholdings	<u>3,223</u>	<u>2,256</u>
Total current liabilities	<u>3,223</u>	<u>2,256</u>
NET ASSETS		
Invested in capital assets	1,208,189	1,232,846
Restricted for repairs and maintenance	5,000	5,000
Unrestricted	<u>197,818</u>	<u>178,483</u>
Total net assets	<u>\$ 1,411,007</u>	<u>\$ 1,416,329</u>

See notes to financial statements.

Clark Township
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities -Enterprise Funds	
	Sewer Operating and Maintenance Fund	
	6/30/04	06/30/03
Operating revenues:		
Sewer charges	\$ 185,863	\$ 182,882
Sewer hook up fees-unpledged	864	500
Grinder fees	2,300	2,602
Late charges	2,367	
Other services	1,239	
Total operating revenues	<u>192,633</u>	<u>185,984</u>
Operating expenses:		
Salaries	69,881	62,516
Supplies-parts	49,581	57,711
Depreciation	37,213	34,367
Utilities and telephone	33,842	30,082
Insurance	29,649	4,021
Maintenance and repairs	29,077	6,684
Payroll taxes	10,220	6,035
Gasoline	4,567	3,402
Professional services	4,098	1,781
Equipment expense	3,435	5,888
Other expenses	8,282	5,806
Total operating expenses	<u>279,845</u>	<u>218,293</u>
Operating income(loss)	<u>(87,212)</u>	<u>(32,309)</u>
Nonoperating revenues:		
Investment earnings	1,060	2,389
Gain on sale of fixed assets	15,000	
Refunds and rebates	11,156	
Total nonoperating revenue	<u>27,216</u>	<u>2,389</u>
Income(loss) before contributions and transfers	(59,996)	(29,920)
Depreciation of assets purchased with contributed capital	24,657	24,079
Transfers in	<u>54,674</u>	
Change in net assets	19,335	(5,841)
Total net assets - beginning	<u>183,483</u>	<u>189,324</u>
Total net assets - ending	<u>\$ 202,818</u>	<u>\$ 183,483</u>

See notes to financial statements.

Clark Township
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities -Enterprise Funds	
	Sewer Operating and Maintenance Fund	
	<u>6/30/04</u>	<u>6/30/03</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 199,329	\$ 248,256
Payments to suppliers	(172,751)	(121,410)
Payments to employees	(68,913)	(62,516)
Net cash provided (used) by operating activities	(42,335)	64,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Refunds and rebates	11,156	
Transfer from other funds	54,674	
Net cash provided by noncapital financing activities	65,830	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(78,320)	(27,075)
Proceeds from sale of capital assets	15,000	
Net cash (used) by capital and related financing activities	(63,320)	(27,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,060	2,389
Net cash provided by investing activities	1,060	2,389
Net decrease in cash and cash equivalents	(38,765)	39,644
Cash and cash equivalents, July 1 (including \$5,000 reported in restricted accounts)	90,797	46,153
Cash and cash equivalents, June 30 (including \$5,000 reported in restricted accounts)	<u>\$ 52,032</u>	<u>\$ 85,797</u>

Clark Township
Statement of Cash Flows
Proprietary funds
For the Year Ended June 30, 2004
(Continued)

	Business-type Activities	
	<u>-Enterprise Funds</u>	
	<u>Sewer Operating and</u>	
	<u>Maintenance Fund</u>	
	<u>6/30/04</u>	<u>6/30/03</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	<u>\$ (87,212)</u>	<u>\$ (32,309)</u>
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	37,213	34,367
(Increase) decrease in accounts receivable	6,696	62,272
Increase (decrease) in accrued payroll	289	
Increase (decrease) in payroll withholdings	<u>679</u>	<u> </u>
Total adjustments	<u>44,877</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (42,335)</u>	<u>\$ 64,330</u>
Noncash investing, capital, and financing activities:		
Depreciation of assets purchased with contributed capital	24,657	24,079

See notes to financial statements.

Clark Township
Statement of Fiduciary Funds
Fiduciary Funds
June 30, 2004

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
ASSETS		
Cash and cash equivalents	\$ 1,802	\$ 3,108
Total assets	<u>1,802</u>	<u>3,108</u>
LIABILITIES		
Due to other funds	<u>1,802</u>	<u>3,108</u>
NET ASSETS		
Held in trust for other purposes	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Clark Township
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
ADDITIONS		
Property tax collections, special assessments and fees	\$	\$4,245,187
Investment earnings: Interest	<u>966</u>	<u> </u>
Total additions	<u>966</u>	<u>4,245,187</u>
DEDUCTIONS		
Transfer to Recreation Fund	61,020	
Payments to other funds		685,507
Payments to other governmental units	<u> </u>	<u>3,559,680</u>
Total deductions	<u>61,020</u>	<u>4,245,187</u>
Changes in net assets	(60,054)	
Net assets - beginning	<u>60,054</u>	<u> </u>
Net assets - ending	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies

The financial statements of the Clark Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Mackinac County, which advances the Township 100% for the delinquent taxes.

The 2003 taxable valuation of the Township totaled \$61,862,216, on which ad valorem taxes levied consisted of .9098 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$17,574 to collect the taxes and applicable interest.

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and basis of presentation (continued)

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

The Township reports the following major proprietary funds:

The *sewer operating and maintenance fund* accounts for activities of the business-type - Enterprise Fund of the Township. The intent of the Township's Board is that the costs of providing sewer services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the government reports the following fund types:

Trust funds are used to account for assets held by the government in a trustee capacity. The Trust and Agency Fund is a trust fund.

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The Tax Collection Fund is an agency fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and basis of presentation (continued)

subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for sales and services. The Township also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts,

Clark Township
Notes to the Financial Statements
June 30, 2004

I. **Summary of significant accounting policies (continued)**

D. **Assets, Liabilities and Net Assets (Continued)**

1. **Deposits and investments (continued)**

deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. **Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. **Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. **Restricted assets**

Certain resources of the Township's enterprise and debt service funds revenue bonds set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets or equity (continued)

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	10
Office furniture and equipment	20
Sewer system	75
Hessel beach improvements	20
Dockage	20
Streetscape improvements	20

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Clark Township
Notes to the Financial Statements
June 30, 2004

I. Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets or equity (continued)

7. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$6,963 difference are as follows:

Capital outlay	\$ 24,382
Depreciation expense	<u>(17,419)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 6,963</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

**Clark Township
Notes to the Financial Statements
June 30, 2004**

III. Stewardship, compliance and accountability (continued)

B. Excess of expenditures over appropriations

For the year ended June 30, 2004, expenditures exceeded appropriations in the activities of docks, cemeteries and electrical inspector (the legal level of budgetary control) of the general fund by \$3,447, \$326 and \$301, respectively. These overexpenditures were funded by available fund balance in the general fund.

C. Deficit fund equity

The Airport fund had a deficit fund balance of \$4,855 as of June 30, 2004. The Township plans to transfer funds from the general fund to cover the deficit.

IV. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Township's deposits were \$949,176 and the bank balance was \$968,880, of which \$438,529 was covered by federal depository insurance.

B. Receivables

Receivables as of year end for the government's individual nonmajor funds consist of \$1,662,774 in the capital projects fund (sewer expansion).

The capital projects fund consists of revenues and expenditures which relate to the future expansion of the Township's sanitary sewer system and for the service of debt financing the existing sanitary sewer systems as is stipulated under Section 18 of Clark Township Ordinance No. 82. The Township has formed a sanitary sewer district and has levied a special assessment thereon, together with interest on the unpaid balance of each assessment at the rate of six percent (6%) per annum. The special assessment has been divided into forty (40) equal annual installments relative to the land assessed, the first of which was due on or before December 1, 1991.

Additionally, the Township has levied a tax millage to the citizens of the Township for the purposes aforementioned.

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 72,615	\$ 500	\$	\$ 73,115
Capital assets, being depreciated:				
Buildings & improvements	485,134	8,641		493,775
Machinery & equipment	3,997			3,997
Hessel beach improvements	44,825			44,825
Dockage	41,455	10,127		51,582
Streetscape improvements		5,114		5,114
Total capital assets being depreciated	<u>575,411</u>	<u>23,882</u>		<u>599,293</u>
Less accumulated depreciation for:				
Buildings & improvements	(37,250)	(12,344)		(49,594)
Machinery & equipment	(3,997)			(3,997)
Hessel beach improvements	(6,724)	(2,241)		(8,965)
Dockage	(6,218)	(2,579)		(8,797)
Streetscape improvements		(255)		(255)
Total accumulated depreciation	<u>(54,189)</u>	<u>(17,419)</u>		<u>(71,608)</u>
Total capital assets, being depreciated, net	<u>521,222</u>	<u>6,463</u>		<u>527,685</u>
Governmental activities capital assets, net	<u>\$ 593,837</u>	<u>\$ 6,963</u>	<u>\$</u>	<u>\$ 600,800</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

C. Capital assets (continued)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 12,794	\$	\$	\$ 12,794
Capital assets, being depreciation:				
Buildings	29,217			29,217
Machinery & equipment	155,672	27,354		183,026
Office equipment	6,451			6,451
Sewer system	<u>1,805,946</u>	<u>50,966</u>		<u>1,856,912</u>
Total capital assets, being depreciated	<u>1,997,286</u>	<u>78,320</u>		<u>2,075,606</u>
Less accumulated depreciation for:				
Buildings	(29,217)			(29,217)
Machinery & equipment	(90,398)	(12,454)		(102,852)
Office equipment	(6,451)			(6,451)
Sewer system	<u>(562,923)</u>	<u>(24,759)</u>		<u>(587,682)</u>
Total accumulated depreciation	<u>(688,989)</u>	<u>(37,213)</u>		<u>(726,202)</u>
Total capital assets, being depreciated, net	<u>1,308,297</u>	<u>41,107</u>		<u>1,349,404</u>
Business-type activities capital assets, net	<u>\$1,321,091</u>	<u>\$ 41,107</u>	<u>\$</u>	<u>\$1,362,198</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 17,164
Public works	255
Recreation	<u> </u>
Total depreciation expense-	
governmental activities	<u>\$ 17,419</u>
Business-type activities:	
Sewer	<u>\$ 41,107</u>
Total depreciation expense-	
business-type activities	<u>\$ 41,107</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

	Transfer In:				
	General Fund	Debt Service Fund	Nonmajor Govern'l	Sewer Fund	Total
Transfer out:					
Road fund	\$52,764	\$	\$	\$	\$ 52,764
General fund			8,628		8,628
Capital projects fund		90,570		62,014	152,584
Sewer fund			7,340		7,340
Total transfers out	<u>\$52,764</u>	<u>\$90,570</u>	<u>\$ 15,968</u>	<u>\$62,014</u>	221,316
Transfer in of Trust and Agency funds:					
To recreation fund					<u>61,426</u>
Total transfers in					<u>\$ 282,742</u>

In the fund financial statements, total transfers in of \$282,742 are greater than total transfers out of \$221,316 because of the treatment of a transfer of trust and agency monies to the recreation fund.

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

D. Interfund receivables, payables, and transfers (continued)

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Streetscape	General	\$ 15,618
Streetscape	Trust and agency	1,802
Streetscape	Tax collection	<u>3,108</u>
Total		<u>\$ 20,528</u>

E. Leases

General Obligation Lease

The Township entered into a 30-year full faith and credit general obligation lease contract with the Clark Township Building Authority (Authority) on 5/1/98 for the acquisition of property and construction of a township office facility. Under the agreement, the Township promises to pay semi-annual cash rental payments to the Authority in an amount sufficient to pay both the principal and interest in the proposed Building Authority Bonds. Cash rental payments based on the original bond principal sum of \$298,000 plus interest at 4.75% commenced on March 31, 1999 are summarized as follows:

Operating Leases

<u>Year Ending June 30,</u>	<u>April 15</u>	<u>October 15</u>
2004		\$ 6,317.00
2005	\$ 12,317.50	6,175.00
2006	12,175.00	6,032.50
2007	13,032.50	5,866.25
2008	12,866.25	5,700.00
2009	12,700.00	
2010-2028	<u>296,008.75</u>	<u>63,008.75</u>
Total	<u>\$ 359,100.00</u>	<u>\$ 93,099.50</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

F. Long-term debt

General Obligation Bonds

The Township issues general obligation bonds to provide to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities, are recorded in the capital projects fund. The original amount of general obligation bonds issued in prior years was \$3,744,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds were issued for between a 10 to 30 year payment schedule. The principal maturing each year varies. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.75-5.350%	\$ 304,500
Business-type activities	2.00-5.125%	<u>3,243,000</u>
		<u>\$ 3,547,500</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 12,500	\$ 7,319	\$	\$ 69,833
2005	12,500	14,113	60,000	138,740
2006	12,500	13,481	65,000	136,812
2007	13,500	12,800	66,000	134,722
2008	13,500	12,120	66,000	132,477
2009	7,000	11,352	72,000	129,983
2010-2014	43,000	50,778	418,000	604,249
2015-2019	54,000	39,092	527,000	504,129
2020-2024	68,000	24,366	660,000	370,751
2025-2029	68,000	6,222	850,000	192,328
2030-2034			232,000	57,771
2035-2039			227,000	20,906
Total	<u>\$ 304,500</u>	<u>\$ 191,643</u>	<u>\$3,243,000</u>	<u>\$2,492,701</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Revenue bonds

The Township also issued bonds where the Township is obligated by law to levy advalorm taxes to fund the bond payments. The bonds were issued in 1972 for the sanitary sewage disposal system, a business-type activity, but is recorded in the capital projects fund. The original amount of the bond was \$520,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.0%	<u>\$ 167,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$	\$ 8,400
2006	23,000	7,775
2007	24,000	7,600
2008	24,000	5,400
2009	24,000	4,200
2010	24,000	3,000
2011-2012	<u>48,000</u>	<u>2,400</u>
Total	<u>\$ 167,000</u>	<u>\$ 38,775</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Bonds payable:				
General obligation bonds	<u>\$ 317,000</u>	<u>\$ (12,500)</u>	<u>\$ 304,500</u>	<u>\$ 12,500</u>
	<u>\$ 317,000</u>	<u>\$ (12,500)</u>	<u>\$ 304,500</u>	<u>\$ 12,500</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Changes in long-term liabilities (continued)

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Bonds payable:				
General obligation bonds	\$3,302,000	\$ (59,000)	\$3,243,000	\$ 60,000
Revenue bonds	<u>189,000</u>	<u>(22,000)</u>	<u>167,000</u>	<u>23,000</u>
	<u>\$3,491,000</u>	<u>\$ (81,000)</u>	<u>\$3,410,000</u>	<u>\$ 83,000</u>

G. Segment information

The Township issued revenue bonds on June 13, 1972 to help finance the sanitary sewage disposal system. Summary financial information for the sewer department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 47,032
Restricted assets	5,000
Capital assets	<u>1,362,198</u>
Total assets	<u>1,414,230</u>
Liabilities:	
Current liabilities	<u>3,223</u>
Total liabilities	<u>3,223</u>
Net assets:	
Invested in capital assets	1,208,189
Restricted	5,000
Unrestricted	<u>197,818</u>
Total net assets	<u>\$ 1,411,007</u>

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

G. Segment information

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS

Sewer charges (pledged against bonds)	\$ 192,633
Depreciation expense	(37,213)
Other operating expenses	<u>(242,632)</u>
Operating income(loss)	(87,212)
Nonoperating revenues(expenses):	
Investment earnings	1,060
Gain on sale of fixed assets	15,000
Refunds and rebates	11,156
Depreciation of assets purchased with contributed capital	24,657
Transfers in	<u>54,674</u>
Change in net assets	19,335
Beginning net assets	<u>183,483</u>
Ending net assets	<u>\$ 202,818</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$(42,335)
Noncapital financing activities	65,830
Capital and related financing activities	(63,320)
Investing activities	<u>1,060</u>
Net increase (decrease)	(38,765)
Beginning cash and cash equivalents	<u>90,797</u>
Ending cash and cash equivalents	<u>\$ 52,032</u>

H. Restricted assets

A provision of the contract between the County of Mackinac and the Township for the repayment of the Series 1972 Bonds stipulates that \$3,100.00 per year be reserved for bond and interest payments until the reserve equals the highest amount of principal and interest that will be payable in any 12-month period, which is \$31,000.00. The funding of this reserve began on June 1, 1974 and was to continue annually until the stipulated reserve amount was totally accumulated. Based on this provision, the reserve accumulation should amount to \$31,000.00 as of June 30, 2004. As of June 30, 2004 the Debt Service Fund has an accumulation of assets totalling \$52,693, which is in excess of the stipulated amount. The Township has deposited \$31,500 in a certificate of deposit for this purpose. Cash has been restricted in this amount, and the net assets has been reserved in an equal amount.

Clark Township
Notes to the Financial Statements
June 30, 2004

IV. Detailed notes on all funds (continued)

H. Restricted assets (continued)

In accordance with the Sewer Use and Rate Ordinance passed in connection with the series 1991 Bonds, the Township has also reserved \$5,000 in the Sewer Operating and Maintenance Fund for repairs and maintenance. Cash has been restricted in this amount, and net assets have been reserved in an equal amount.

I. Schedule of investment in capital assets

Changes in the investment in capital assets (formerly contributed equity) in the enterprise fund type for the year ended June 30, 2004, consist of the following:

Balance - beginning	\$ 1,232,846
Deduct: Depreciation of assets purchased	
from contributed equity	24,657
Balance - ending	<u>\$ 1,208,189</u>

V. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Township does not provide a pension plan for its employees.

Clark Township
Notes to the Financial Statements
June 30, 2004

V. Other information (continued)

C. Implementation of new accounting standard

As of and for the year ended June 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

D. Prior period adjustment

The prior period fund balance was reduced in the general fund by \$56,630 to correct the due from other funds balance.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Road-FNB Fund - This fund is used to account for the collection of voted property taxes restricted for road disbursements.

Recreation Fund - This fund is used to account for private donations that are specifically restricted for recreation purposes.

Ambulance Replacement Fund - This fund is used to account for private donations that are specifically restricted for the replacement of the ambulance in the future.

Fire Department Equipment Fund - This fund is used to account for private donations that are specifically restricted for the purchase of fire equipment in the future.

Streetscape Fund - This fund is used to account for private donations that are specifically restricted for improvements to sidewalks and other related improvements.

Hessel Beach/Marina Fund - This fund is used to account for laundry fees that are specifically restricted for Beach and Marina improvements.

Dredging Fund - This fund in a prior year collected a grant from the State of Michigan for dredging. The remaining monies are restricted to future dredging projects.

Airport Fund - This fund is used to account for private donations and transfers in from other funds that are specifically restricted for maintenance and snow removal at the airport.

Capital Project Fund

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Sewer Expansion Fund - This fund is used to account for the construction of sewer line extensions. Special assessment and voted property tax collections are also accounted for in this fund.

Clark Township
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	<u>Special Revenue</u>			
	<u>Road-FNB</u>	<u>Recreation</u>	<u>Ambulance Replacement</u>	<u>Fire Department Equipment</u>
ASSETS				
Cash and cash equivalents	\$158,774	\$ 85,623	\$ 242,792	\$ 17,674
Special assessment receivable				
Due from other funds				
Total assets	<u>\$158,774</u>	<u>\$ 85,623</u>	<u>\$ 242,792</u>	<u>\$ 17,674</u>
LIABILITIES				
Bank overdraft	\$	\$	\$	\$
unearned revenues				
Total liabilities				
FUND BALANCES				
Unreserved, undesignated	158,774	85,623	242,792	17,674
designated				
Total liabilities and fund balances	<u>\$158,774</u>	<u>\$ 85,623</u>	<u>\$ 242,792</u>	<u>\$ 17,674</u>

See notes to financial statements.

Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
Streetscape	Hessel Marina/ Beach	Dredging	Airport	Total	Sewer Expansion	
\$ 1,110	\$1,316	\$ 23,378	\$	\$ 530,667	\$ 239,600	\$ 770,267
					1,662,774	1,662,774
20,528				20,528		20,528
<u>\$ 21,638</u>	<u>\$1,316</u>	<u>\$ 23,378</u>	<u>\$</u>	<u>\$ 551,195</u>	<u>\$ 1,902,374</u>	<u>\$ 2,453,569</u>
\$	\$	\$	\$ 4,855	\$ 4,855	\$	\$ 4,855
					1,662,774	1,662,774
			4,855	4,855	1,662,774	1,667,629
21,638	1,316	23,378	(4,855)	546,340		546,340
					239,600	239,600
<u>\$ 21,638</u>	<u>\$1,316</u>	<u>\$ 23,378</u>	<u>\$</u>	<u>\$ 551,195</u>	<u>\$ 1,902,374</u>	<u>\$ 2,453,569</u>

Clark Township
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	<u>Special Revenue</u>			
	<u>Road-FNB</u>	<u>Recreation</u>	<u>Ambulance Replacement</u>	<u>Fire Department Equipment</u>
REVENUES				
Property taxes	\$142,339	\$	\$	\$
Special assessments				
Donations			3,180	7,650
Charges for services				
Interest earnings			3,582	
Total revenues	<u>142,339</u>	<u></u>	<u>6,762</u>	<u>7,650</u>
EXPENDITURES				
Current:				
Public safety				2,240
Public works	20,390			
Capital outlay		500		
Debt service				
Total expenditures	<u>20,390</u>	<u>500</u>	<u></u>	<u>2,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121,949</u>	<u>(500)</u>	<u>6,762</u>	<u>5,410</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General fund	7,500			
Trust & agency		61,426		
Transfers out:				
Debt service fund				
Sewer fund				
General fund	<u>(52,764)</u>	<u></u>	<u></u>	<u></u>
Total other financing sources and (uses)	<u>(45,264)</u>	<u>61,426</u>	<u></u>	<u></u>
Net change in fund balances	76,685	60,926	6,762	5,410
Fund balances- beginning	<u>82,089</u>	<u>24,697</u>	<u>236,030</u>	<u>12,264</u>
Fund balances- ending	<u>\$158,774</u>	<u>\$ 85,623</u>	<u>\$242,792</u>	<u>\$ 17,674</u>

See notes to financial statements.

Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
Streetscape	Hessel Marina/ Beach	Dredging	Airport	Total	Sewer Expansion	
\$	\$	\$	\$	\$ 142,339	\$ 75,301	\$ 217,640
					31,725	31,725
6,224			2,036	19,090		19,090
	365		862	1,227	10,160	11,387
				3,582	104,057	107,639
<u>6,224</u>	<u>365</u>		<u>2,898</u>	<u>166,238</u>	<u>221,243</u>	<u>387,481</u>
				2,240		2,240
5,114	2,600		7,753	30,743	23	30,766
				5,614		5,614
					76,485	76,485
<u>5,114</u>	<u>2,600</u>		<u>7,753</u>	<u>38,597</u>	<u>76,508</u>	<u>115,105</u>
<u>1,110</u>	<u>(2,235)</u>		<u>(4,855)</u>	<u>127,641</u>	<u>144,735</u>	<u>272,376</u>
			1,128	8,628		8,628
				61,426		61,426
					(90,570)	(90,570)
					(54,674)	(54,674)
				(52,764)		(52,764)
			1,128	17,290	(145,244)	(127,954)
1,110	(2,235)		(3,727)	144,931	(509)	144,422
<u>20,528</u>	<u>3,551</u>	<u>23,378</u>	<u>(1,128)</u>	<u>401,409</u>	<u>240,109</u>	<u>641,518</u>
<u>\$21,638</u>	<u>\$1,316</u>	<u>\$ 23,378</u>	<u>\$(4,855)</u>	<u>\$ 546,340</u>	<u>\$ 239,600</u>	<u>\$ 785,940</u>

Clark Township
Sewer Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property taxes	\$ 64,600	\$ 64,600	\$ 75,287	\$ 10,687
Interest earnings	1,800	1,800	1,536	(264)
Other revenues			<u>10,212</u>	<u>10,212</u>
Total revenues	<u>66,400</u>	<u>66,400</u>	<u>87,035</u>	<u>20,635</u>
EXPENDITURES				
Debt service:				
Principal	58,325	58,325	77,500	(19,175)
Interest			<u>120,324</u>	<u>(125,324)</u>
Total expenditures	<u>58,325</u>	<u>58,325</u>	<u>197,824</u>	<u>(144,499)</u>
Excess (deficiency) of revenues over (under) expenditures	8,075	8,075	(110,789)	(123,864)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>22,900</u>	<u>22,900</u>	<u>90,570</u>	<u>67,670</u>
Net change in fund balances	30,975	30,975	(20,219)	(56,194)
Fund balances- beginning			<u>73,013</u>	<u>73,013</u>
Fund balances- ending	<u>\$ 30,975</u>	<u>\$ 30,975</u>	<u>\$ 52,794</u>	<u>\$ 16,819</u>

Clark Township
Road-FNB Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 128,526	\$ 82,262	\$142,339	\$ 62,077
Total revenues	<u>128,526</u>	<u>82,262</u>	<u>142,339</u>	<u>62,077</u>
EXPENDITURES				
Public works:				
Repairs & maintenance	<u>115,000</u>	<u>114,000</u>	<u>20,390</u>	<u>93,610</u>
Total expenditures	<u>115,000</u>	<u>114,000</u>	<u>20,390</u>	<u>93,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,526</u>	<u>(31,738)</u>	<u>121,949</u>	<u>155,687</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			7,500	7,500
Transfers out		<u>(35,264)</u>	<u>(52,764)</u>	<u>(17,500)</u>
Total other financing sources and (uses)		<u>(35,264)</u>	<u>(45,264)</u>	<u>(10,000)</u>
Net change in fund balances	13,526	(67,002)	76,685	145,687
Fund balances- beginning			<u>82,089</u>	<u>82,089</u>
Fund balances- ending	<u>\$ 13,526</u>	<u>\$ (67,002)</u>	<u>\$158,774</u>	<u>\$227,776</u>

Clark Township
Recreation Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Donations	\$ 22,849	\$ 22,849	\$	\$(22,849)
Interest earnings	<u>9,000</u>	<u>9,000</u>		<u>(9,000)</u>
Total revenues	<u>31,849</u>	<u>31,849</u>		<u>(31,849)</u>
EXPENDITURES				
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>500</u>	<u>24,500</u>
Excess (deficiency) of revenues over (under) expenditures	6,849	6,849	(500)	(7,349)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>61,426</u>	<u>41,426</u>
Net change in fund balances	26,849	26,849	60,926	34,077
Fund balances- beginning			<u>24,697</u>	<u>24,697</u>
Fund balances- ending	<u>\$ 26,849</u>	<u>\$ 26,849</u>	<u>\$ 85,623</u>	<u>\$ 58,774</u>

Clark Township
Ambulance Replacement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Donations	\$ 4,000	\$ 4,000	\$ 3,180	\$ (820)
Interest earnings	<u>5,000</u>	<u>5,000</u>	<u>3,582</u>	<u>(1,418)</u>
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>6,762</u>	<u>(2,238)</u>
EXPENDITURES				
Capital outlay	<u>2,525</u>	<u>2,525</u>		<u>2,525</u>
Total expenditures	<u>2,525</u>	<u>2,525</u>		<u>2,525</u>
Excess of revenues over expenditures	6,475	6,475	6,762	287
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>173,564</u>	<u>173,564</u>		<u>(173,564)</u>
Net change in fund balances	180,039	180,039	6,762	(173,277)
Fund balances- beginning			<u>236,030</u>	<u>236,030</u>
Fund balances- ending	<u>\$ 180,039</u>	<u>\$ 180,039</u>	<u>\$242,792</u>	<u>\$ 62,753</u>

Clark Township
Fire Department Equipment Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Fines & forfeitures	\$ 150	\$ 150	\$	\$ (150)
Donations	<u>2,000</u>	<u>3,150</u>	<u>7,650</u>	<u>4,500</u>
Total revenues	<u>2,150</u>	<u>3,300</u>	<u>7,650</u>	<u>4,350</u>
EXPENDITURES				
Public safety:				
Equipment expense		<u>1,476</u>	<u>2,240</u>	<u>(764)</u>
Total expenditures		<u>1,476</u>	<u>2,240</u>	<u>(764)</u>
Excess (deficiency) of revenues over (over) expenditures	2,150	1,824	5,410	3,586
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>12,264</u>	<u>11,888</u>		<u>(11,888)</u>
Net change in fund balances	14,414	13,712	5,410	(8,302)
Fund balances- beginning			<u>12,264</u>	<u>12,264</u>
Fund balances- ending	<u>\$ 14,414</u>	<u>\$ 13,712</u>	<u>\$ 17,674</u>	<u>\$ 3,962</u>

Clark Township
Streetscape Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Donations	\$	\$	\$ 6,224	\$ 6,224
Total revenues			6,224	6,224
EXPENDITURES				
Capital outlay		5,114	5,114	
Total expenditures		5,114	5,114	
Excess (deficiency) of revenues over (under) expenditures		(5,114)	1,110	6,224
OTHER FINANCING SOURCES (USES)				
Transfers in	29,000	21,416		(21,416)
Net change in fund balances	29,000	16,302	1,110	(15,192)
Fund balances- beginning			20,528	20,528
Fund balances- ending	<u>\$ 29,000</u>	<u>\$ 16,302</u>	<u>\$ 21,638</u>	<u>\$ 5,336</u>

Clark Township
Hessel Marina/Beach Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Laundry fees	\$ 300	\$ 300	\$ 365	\$ 65
Total revenues	300	300	365	65
EXPENDITURES				
Public works			2,600	(2,600)
Total expenditures			2,600	(2,600)
Excess (deficiency) of revenues over (under) expenditures	300	300	(2,235)	(2,535)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,500	3,500		(3,500)
Net changes in fund balances	3,800	3,800	(2,235)	(6,035)
Fund balances- beginning			3,551	3,551
Fund balances- ending	<u>\$ 3,800</u>	<u>\$ 3,800</u>	<u>\$ 1,316</u>	<u>\$ (2,484)</u>

Clark Township
Dredging Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Interest earnings	\$	\$	\$	\$
 EXPENDITURES				
Capital outlay	_____	_____	_____	_____
 Net changes in fund balances				
 Fund balances- beginning	_____	_____	23,378	23,378
 Fund balances- ending	<u>\$</u>	<u>\$</u>	<u>\$ 23,378</u>	<u>\$ 23,378</u>

Clark Township
 Airport Fund
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Donations	\$ 3,000	\$ 2,036	\$ 2,036	\$
Charges for services		862	862	
Total revenues	3,000	2,898	2,898	
EXPENDITURES				
Public works:				
Maintenance & snow removal	4,128	7,757	7,753	4
Total expenditures	4,128	7,757	7,753	4
Excess (deficiency) of revenues over (under) expenditures	(1,128)	(4,859)	(4,855)	4
OTHER FINANCING SOURCES (USES)				
Transfers in	1,128	1,128	1,128	
Net changes in fund balances		(3,731)	(3,727)	4
Fund balances-beginning			(1,128)	(1,128)
Fund balances-ending	\$	\$ (3,731)	\$ (4,855)	\$ (1,124)

Clark Township
Sewer Expansion Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 125,000	\$ 125,000	\$ 75,301	\$ (49,699)
Special assessment taxes	74,600	74,600	31,725	(42,875)
Charges for services			10,160	10,160
Interest earnings	<u>4,400</u>	<u>4,400</u>	<u>104,057</u>	<u>99,657</u>
Total revenues	<u>204,000</u>	<u>204,000</u>	<u>221,243</u>	<u>17,243</u>
EXPENDITURES				
Public works:				
Office supplies			23	(23)
Debt service	<u>64,400</u>	<u>64,400</u>	<u>76,485</u>	<u>(12,085)</u>
Total expenditures	<u>64,400</u>	<u>64,400</u>	<u>76,508</u>	<u>(12,108)</u>
Excess (deficiency) of revenues over (under) expenditures	139,600	139,600	144,735	5,135
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(164,000)</u>	<u>(164,000)</u>	<u>(145,244)</u>	<u>18,756</u>
Net change in fund balances	(24,400)	(24,400)	(509)	23,891
Fund balances- beginning	<u>132,000</u>	<u>117,930</u>	<u>240,109</u>	<u>122,179</u>
Fund balances- ending	<u>\$ 107,600</u>	<u>\$ 93,530</u>	<u>\$239,600</u>	<u>\$ 146,070</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Clark Township
Cedarville, Michigan

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

We have audited the financial statements of Clark Township, Cedarville, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clark Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that

Clark Township
Report on Compliance and
on Internal Control
Page Two

Internal Control Over Financial Reporting - Continued

would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated November 12, 2004.

This report is intended for the information of management, the Township Board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Sandette, CPA, PC

November 12, 2004

CLARK TOWNSHIP

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF TRUSTEES
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2004

CLARK TOWNSHIP
CONTENTS
JUNE 30, 2004

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Trustees	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4
Adjusting Journal Entries	5-15

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF TRUSTEES**

To the Board of Trustees
Clark Township

We have audited the financial statements of the Clark Township ("Township") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were audit adjusting journal entries, but no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Township's financial reporting process (see page 5 through 15 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Barry E. Sandlett, CPA, PC

November 12, 2004

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Trustees
Clark Township

We have audited the financial statements of the Clark Township ("Township") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated November 12, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Township's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Township's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, PC

November 12, 2004

CLARK TOWNSHIP
MANAGEMENT ADVISORY COMMENTS

June 30, 2004

=====

Special Assessment Cards

Currently the special assessment receivable record for each account is kept manually on a ledger card.

We recommend that the Township consider computerizing the records, backup the information daily and store in a fire proof location in the Township hall.

Computer Backup

As of November 12, 2004, the computer backup of information was not stored in a fire proof location.

Check Signing

Clerk should sign checks after preparation, give to the Treasurer to sign (invoices would be included), Treasurer should mail the checks. The Treasurer should then mark the invoices paid, write check number on invoice and write the date paid on the invoice before giving the invoices back to the Clerk.

Special Revenue Funds

The Township has eight special revenue funds, of which several have very little activity in them during the fiscal year. Consideration should be given to transferring the monies in several of the these funds to the General Fund.

Interest Income

The interest earned in the common savings account should be prorated among the various funds in the common account.

Capitalization Policy

With the implementation of GASB 34, the Township Board should revise it capitalization Policy and establish a minimum amount to capitalize and therefore depreciate.

Treasurer's cash balance should agree to the general ledger

This continues to be a problem, but the new elected Township Board is taking steps to have the general ledger cash balances agree to the Treasurer's cash balances from bank reconciliations.

		1	2	3	4
		General Fund			
		101			
		Acc?		Debit	Credit
		#			
1					
2	265-	930.01	Capital improvements (1)	939.60	
3	000-	390	Fund balance		939.60
4					
5					
6					
7					
8	966-999		Transfer out (2)	7500.00	
9	446-754		Construction		7500.00
10					
11					
12					
13					
14	000-002		Savings (3)	901.16	
15	000-001		Checking		901.16
16					
17					
18					
19					
20	000-677		Reimbursement (4)	2000.00	
21	806-964		Scenic - reimbursement		2000.00
22					
23					
24					
25					
26	000-390		Fund balance (5)	5666.15	
27	000-214		Due to other fund		1561.75
28	000-045		Due from other fund		4443.63
29	276-93001		Capital improvements & repairs	3392.52	
30					
31					
32					
33					
34	276-93001		Capital improvements & repairs (6)	1523.05	
35	000-699		Transfer in		1523.05
36					
37					
38					
39					
40					

(7) (see next page)

RSB
 6/30/04

NAME	DATE
Prep. by R2	12/29/04
✓ by	

		1	2	3	4
		General Fund			
	Acct #	01		Debit	Credit
1					
2	000-202	Accounts payable (7)		1714.65	
3	000-691	Other revenue		128.64	
4	000-204	Accrued payroll			62741
5	000-227	State unemployment (1.2)			84248
6	000-228	State withholding			37340
7					
8					
9					
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11					
12					
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- 6 -

RSB

CRAN 10001890

RTB
6/30/04

S M STATIONERY
BELLEVILLE, N.J.
FORM # 2804 / 5804

	NAME	DATE
Prep. by	B	12/29/04
✓ by		

		1	2	3	4
	Rec'd	Recreation Fund			
	1	208			
				Debit	Credit
1					
2	000-002	(1) Savings		48 799 90	
3	000-001	Checking			48 799 90
4					
5					
6					
7		(2)			
8	000-899	Transfer In		1 62 600	
9	000-590	Donations			1 62 600
10					
11					
12					
13					
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-7-

RTB

05/1
6/30/07

NAME	DATE
Prep. by	12/29/07
✓ by	

		1	2	3	4
	Rec'd			Debit	Credit
	211				
1					
2	000-004	CD		31510	
3	000-008	Savings - 500 CU		326702	
4	000-665	INTEREST Income			358212
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
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- 0 -

05/1

613004

M STATIONERY
MILLVILLE, N.J.
FORM # 2804 / 5804

NAME	DATE
Prep. by <i>[initials]</i>	12/29/87
✓ by	

	1	2	3	4
	Acct #	Fire Fund 214	Debit	Credit
1				
2	000-002	Savings (1)	1039882	
3	000-001	checking		1039882
4				
5				
6				
7				
8	000-599	Transfer in (2)	40400	
9	000-571	Donations		40400
10				
11				
12				
13				
14	977	Equipment (3)	80755	
15	999	Transfer out		80755
16				
17				
18				
19				
20				
21				
22				
23				
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40				

[Signature]

1		2		3		4	
Rec'd #	Steele'scope Fund 219			Debit		Credit	
1		(1)					
2	000-032	Savings		2,200.00			
3	000-031	Checking				2,200.00	
4							
5							
6							
7							
8	000-202	Account, payable	(2)	2200.00			
9	000-571	Donations				2200.00	
10							
11							
12							
13			(3)				
14	000-571	Donations		2000.00			
15	000-199-4	Reimbursement				2000.00	
16							
17							
18							
19							
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- 16 -

RTE

Clark Township

RSB

6/30/04

A & M STATIONERY
BELLEVILLE, N.J.
FORM # 2804 / 5804

	NAME	DATE
Prep. by	B	12/29/04
✓ by		

			1	2	3	4
	Debit	301			Debit	Credit
1		(1)				
2	000-011	Savings			8712812	
3	000-403	Property taxes				8559210
4	000-664	Interest Income				153602
5						
6						
7		(2)				
8	000-001	Checking			3213796	
9	521-999	Transfer out			7526888	
10	000-011	Savings				10740684
11						
12						
13		(3)				
14	000-041	Taxes receivable			2419	
15	000-405	Property taxes - WWI #3			7603406	
16	000-664	Interest Income			48531	
17	000-691	Other Income			12168	
18	000-001	Checking				7639279
19	000-403	Property taxes - WWI #1				27245
20						
21						
22		(4)				
23	000-001	Checking			5467900	
24	000-699 or	Transfer in				5467900
25						
26						
27		(5)				
28	000-001	Checking			11160450	
29	000-403	Property taxes WWI #1			53796	
30	521-991	GMAC #1 P			2100000	
31	521-995	GMAC #1 I			1050000	
32	521-997	Standard Federal Retirement Bond			15853875	
33	521-998	ENB			778450	
34	000-691	Other Income				44450
35	000-001	Checking				19836121
36	000-699 or	Transfer in				11116000
37						
38		(6)				
39	000-403	Property taxes WWI #1			1386369	
40	000-405	Property taxes WWI #3				409606
	000-691	Other Income				976763
						ATP

-12-

Clark Township

N.J.

6/30/04

I & M STATIONERY
JELLEVILLE, N.J.

FORM # 2804 / 5804

NAME	DATE
Prep. by <i>[Signature]</i>	12/29/04
✓ by	

		1	2	3	4
		Debit		Debit	Credit
Capital Project Fund - Sewer Expansion					
528					
1					
2	000-011	Savings		42	
3	000-390	Fund Balance		31531	
4	000-899	Other Income			31573
5					
6					
7					
8	000-899	Other Income		53796	
New 9	527 995	General Interest		2622500	
New 10	527 727	Office Supplies		2225	
New 11	527 997	Principal - 1992		5026013	
New 12	527 999	Transfer out		5467900	
13	000-001	Checking			13172484
14					
15					
16					
17	000-041	Taxes receivable		2419	
18	000-403	Current property taxes		15471022	
19	000-864	Interest income		234258	
20	000-001	Checking			15707699
21					
22					
23					
24	000-011	Savings		224732	
25	000-864	Interest income			224732
26					
27					
28					
29	000-011	Savings		21504937	
30	000-403	Current property taxes			7119045
31	000-865	Interest income - spl. assessment			13195928
New 32	527-999	Transfer out			1189964
33					
34					
35					
36	000-001	Checking		5647296	
37	527-999	Transfer out		16324024	
38	000-011	Savings			21971320
39					
40					

-13-

Clark Township

NSB

6/30/03

	NAME	DATE
Prep. by	RS	12/29/04
✓ by		

I & M STATIONERY
JELLEVILLE, N.J.
M # 2804 / 5804

	1	2	3	4
	Debit		Debit	Credit
		Capital Projects Fund		
		528		
1		(7)		
2	000-010	Lease Expansion - CO	157550	
3	000-664	Interest Income		157550
4				
5				
6		(8)		
7	000-001	Checking	7526000	
8	527-999	Transfer in		7526000
9				
10				
11		(9)		
12	000-403	Current property taxes	2375688	
13	000-663	Special assessment - principal	649121	
14	000-403	Current property taxes		411106
15	527-999	Transfer out		2613703
16				
17				
18		(10)		
19	000-339	Deferred Income	421451	
20	000-045	R/R Special assessment		421451
21				
22				
23		(11)		
24	000-665	Interest Income - Spl. assessment	3172472	
25	000-663	Spl. assessment principal		3172472
26				
27				
28				
29				
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31				
32				
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34				
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40				

		1	2	3	4
				Debit	Credit
	Rec'd				
	A				
		Sewer fund			
		590			
1		(1)			
2	000-002	Savings		2124356	
3	000-034	Delinquent sewer fee		173713	
4	000-395	Retained earnings		7947331	
5	000-001	Checks			10245400
6					
7					
8		(2)			
9	000-034	Delinquent sewer fee		244133	
10	000-040	Service fee		364530	
11	000-067	Due from other fund		2442624	
12	000-694	Other revenue			608683
New 13	000-699	Transfer in			2442624
14					
15					
16		(3)			
17	000-140	Equipment & machinery		2735400	
18	527882	New vehicle			2735400
19					
20					
21		(4)			
22	000-150	Sewer system		5096521	
23	527970	Capital outlay			5096521
24					
25					
26		(5)			
New 27	527980	Depreciation		3721261	
28	000-141	Accum. dep. - equip.			1245379
29	000-151	Accum. dep. - sewer system			2475082
30					
31		(6)			
32	000-366	Contributions from Township		1472929	
33	000-368	State		198505	
34	000-369	Federal		794250	
35	000-395	Retained earnings			2465692
36					
37		(7)			
38	000-694	Other revenue		630246	
39	000-205	Accrued payroll			28910
40	000-229	Federal withholding			601336
			- 15 -		RTB